



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 5, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **BEHAVIORAL HEALTH SERVICES, INC. CONTRACT COMPLIANCE  
REVIEW – A DEPARTMENT OF MENTAL HEALTH SERVICE  
PROVIDER**

We completed a program and fiscal contract compliance review of Behavioral Health Services, Inc. (BHS or Agency), a Department of Mental Health (DMH) service provider.

**Background**

DMH contracts with BHS, a private non-profit community-based organization that provides services to clients in Service Planning Area 4. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters office is located in the Second District.

DMH paid BHS on a cost-reimbursement basis between \$1.77 and \$2.28 per minute of staff time (\$106.20 to \$136.80 per hour) for services or approximately \$816,000 and \$629,000 for Fiscal Years (FY) 2007-08 and 2008-09, respectively.

**Purpose/Methodology**

The purpose of our review was to determine whether BHS complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in the County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

### **Results of Review**

BHS maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. However, BHS did not always comply with the County contract requirements and charged DMH \$18,964 in questioned costs. Specifically, BHS:

- Charged DMH \$12,888 for psychiatric services and \$1,076 for supplies without adequate documentation to support the charges.
- Charged DMH \$5,000 for 100% of one employee's payroll expenditures. The employee also worked on non-DMH programs.
- Did not conduct a criminal clearance for one employee assigned to the DMH program.
- Did not always complete the Assessments, Client Care Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with BHS and DMH. In the attached response, the Agency concurred with our recommendations and agreed to reduce their FY 2007-08 Cost Report by \$18,964. DMH indicated that they will follow-up to ensure BHS implements the recommendations in this report.

We thank BHS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Lawrence T. Gentile, Chair, Board of Directors, Behavioral Health Services, Inc.  
Henry Van Oudheusden, President/CEO, Behavioral Health Services, Inc.  
Public Information Office  
Audit Committee

**DEPARTMENT OF MENTAL HEALTH  
BEHAVIORAL HEALTH SERVICES, INC.  
FISCAL YEARS 2007-08 AND 2008-09**

**BILLED SERVICES**

**Objective**

Determine whether Behavioral Health Services, Inc. (BHS or Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

**Verification**

We selected 30 billings totaling 2,640 minutes from 8,225 service minutes of approved Medi-Cal billings from March and April 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 2,640 minutes represent services provided to 25 program participants.

**Results**

BHS maintained documentation to support the billed service minutes. However, BHS did not always complete the Assessments, Client Care Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

**Assessments**

BHS did not complete Assessments in accordance with the County contract for ten (40%) of the 25 clients sampled. Specifically, one client's chart did not contain an updated Assessment and nine Assessments did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

**Client Care Plans**

BHS did not complete the Client Care Plans in accordance with the County contract for seven (28%) of the 25 clients sampled. Specifically:

- Five Client Care Plans did not contain specific goals.
- Two client files did not contain a Client Care Plan for each type of services provided.

**Progress Notes**

The Agency did not complete six (20%) of the 30 Progress Notes in accordance with the County contract. Specifically, the Progress Notes reviewed did not describe what the client or service staff attempted and/or accomplished towards the clients' goals.

**Informed Consent**

BHS did not document Informed Consent in six (60%) of the ten client charts sampled, in which the client received treatment with psychotropic medication. Informed Consent documents the clients' agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks.

**Recommendations****BHS management:**

1. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**
2. **Ensure that Informed Consent is obtained and documented in the client's chart on an annual basis.**

**STAFFING LEVELS****Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that required staffing ratios for this particular program.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS****Objective**

Determine whether BHS' treatment staff possessed the required qualifications to provide mental health services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for eight of the 17 mental health treatment staff who provided services to DMH clients during March and April 2008.

**Results**

Each employee in our sample possessed the qualifications required to provide the services billed.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

**Verification**

We interviewed BHS management and reviewed the Agency's financial records. We also reviewed the Agency's July 2008 bank reconciliations for two bank accounts.

**Results**

BHS maintained adequate controls to ensure that cash, liquid assets and revenue were properly recorded and deposited in a timely manner.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether BHS' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed BHS' Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were appropriately allocated to the Agency's programs.

**Results**

BHS prepared their Cost Allocation Plan in compliance with the County contract and appropriately allocated their shared expenditures.

**Recommendation**

None.

**EXPENDITURES****Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

**Verification**

We reviewed financial records and documentation for 12 non-payroll expenditures totaling \$20,609 for July 2007 through June 2008.

**Results**

BHS charged DMH \$13,964 to pay for program expenditures that were not sufficiently documented. Specifically, BHS charged DMH for:

- Psychiatric services totaling \$12,888 for two subcontractors without adequate documentation to support the hours they billed BHS.
- Supplies totaling \$1,076.

During the contract year, DMH pays BHS a negotiated rate for their cost-reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

**Recommendations****BHS management:**

3. **Revise their Fiscal Year (FY) 2007-08 Cost Report to reduce the reported program expenditures by \$13,964 and repay DMH for any excess amount received.**
4. **Ensure that program expenditures are supported by adequate documentation.**

**FIXED ASSETS****Objective**

Determine whether fixed asset depreciation costs charged to the DMH program was allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed staff and reviewed the Agency's accounting records related to fixed assets. In addition, we reviewed expenditures for two fixed assets that the Agency charged to the DMH program during FY 2007-08.

**Results**

BHS' fixed asset expenditures charged to the DMH program were allowable under the County contract, properly documented and accurately billed.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

**Verification**

We reviewed the payroll expenditures totaling \$14,836 for 11 employees charged to the DMH program for July 2008. We also reviewed their personnel files.

**Results**

BHS charged DMH \$8,109 in questioned costs and did not always comply with the County contract requirements. Specifically, BHS:

- Charged DMH \$5,000 for 100% of one employee's payroll expenditures. The employee also worked on non-DMH programs.
- Did not conduct a criminal clearance for one employee working on the DMH program as required by the County contract.

As indicated earlier, DMH pays BHS a negotiated rate for their cost-reimbursement contract during the contract year. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

**Recommendations****BHS management:**

5. Provide documentation to support \$5,000 in payroll expenditures and reduce their FY 2008-09 Cost Report for non-DMH program costs.
6. Ensure that criminal clearances are obtained for all staff working on the County contract and maintained on file.

**COST REPORT****Objective**

Determine whether BHS' FY 2007-08 Cost Report reconciles to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2007-08 Cost Report to the Agency's accounting records.

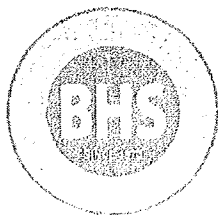
**Results**

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

**Recommendation**

**None.**





**BEHAVIORAL HEALTH SERVICES, INC.**  
15519 Crenshaw Boulevard, Gardena, CA 90249  
310-679-9126 Fax 310-679-2920 corporate@bhs-inc.org

March 25, 2010

The mission of BHS is to  
transform lives by offering hope  
and opportunities for recovery,  
wellness and independence.

American Recovery Center  
909-865-2336

Boyle Heights Recovery Service Center  
323-262-1786

Community Assessment Services Center  
310-973-2272 (CASC)

East Los Angeles  
323-269-4890

Hollywood Recovery Center  
323-461-3161

Inglewood Recovery Center  
310-673-5750

Lincoln Heights Recovery Center  
323-221-1746

Medicine Education Program  
310-679-9035

Pacific House  
323-754-2816

Patterson  
310-675-4431

Redgate Memorial Recovery Center  
562-599-8444

South Bay Recovery Center  
310-679-9031

Wilmington Recovery Center  
310-549-2710

All the above programs of  
Behavioral Health Services, Inc.  
have been accredited by



South Bay Senior Services  
310-325-2141

Affiliates  
Joint Efforts, Inc.  
310-831-2358

County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2706

Attention: Susan Kim, CPA, CIA, Principal Accountant-Auditor

**Re: Response to Audit of Department of Mental Health Contract  
Fiscal Years 2007-08 and 2008-09**

This letter constitutes Behavioral Health Services, Inc.'s (BHS) response and plan of corrective action in regard to the recommendations in your audit report of our contracts with the County of Los Angeles Department of Mental Health.

**Recommendation 1- BHS Management shall ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

BHS has implemented a corrective action plan to ensure that we are in compliance with County contract requirements. BHS therapists will make sure that all Assessments, Client Care Plans, and Progress Notes are completed in accordance with requirements and placed in the client files. This will be monitored monthly by the Program Director and quarterly by the Quality Assurance Coordinator.

**Recommendation 2- BHS Management shall ensure the Informed Consent is obtained and documented in the client's chart on an annual basis.**

BHS has implemented a corrective action plan to ensure that we are in compliance with County contract requirements. BHS therapists will make sure that the informed consent is obtained and renewed annually in accordance with requirements and placed in the client files. This will be monitored monthly by the Program Director and quarterly by the Quality Assurance Coordinator.

**Recommendation 3- BHS Management shall revise their FY 2007-08 Cost Report to reduce the reported program expenditures by \$13,964 and repay DMH for any excess amount received.**

BHS will revise Fiscal Year 2007-08 Department of Mental Health Services cost report. The revised cost report will reflect a decrease of \$12,888 for

disallowed psychiatric services provided by two subcontractors without adequate documentation to support the hours billed. The revised cost report will also reflect a decrease of \$1,076 for disallowed supplies that were purchased without a supporting invoice.

**Recommendation 4- BHS Management shall ensure that program expenditures are supported by adequate documentation.**

Andrew Worrell, CFO, will conduct a meeting to inform the appropriate parties involved with DMH contract services, on the importance of proper supporting documentation for contract purchases, and the importance of proper supporting documentation to support billable hours. The paper work necessary for proper documentation will be reviewed, to insure all parties involved will understand the required documentation necessary to avoid future disallowances.

**Recommendation 5- BHS Management shall provide documentation to support \$5,000 in payroll expenditures and reduce their FY 2008-09 Cost Report by non-DMH amounts.**

BHS will revise Fiscal Year 2007-08 Department of Mental Health Services cost report. The revised cost report will reflect a decrease of \$5,000 for one employee's payroll expenditures who worked on DMH and non-DMH programs.

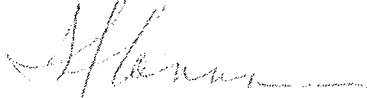
BHS accounting department, specifically the payroll staff, will work closely with DMH program directors, to ensure that employee's working on both DMH and non-DMH contracts are properly allocated between both contracts using accepted cost allocation methods. This will include periodic reviews to catch any change in staff assignments.

**Recommendation 6- BHS Management shall ensure that criminal clearances are obtained for all staff working on the County contract and maintained on file.**

BHS Human Resources department arranges for a Live Scan and criminal record clearance as part of the hiring process for positions requiring such clearance. Criminal record reports are kept by the Chief Human Resources Officer in a confidential file separate from the employee personnel file. These records will be made available to County auditors upon request.

BHS Management appreciates the technical assistance and recommendations of your department. It was a pleasure working with you during the review. Please be assured we take these recommendations seriously and will assure compliance with all County contract requirements.

Sincerely,



Teri Cannon  
Chief Compliance Officer

Cc: Henry van Oudheusden  
Andy Worrell  
Shirley Summers  
Celia Aragon